CITIES SERVICE GAS COMPANY
ENERGY CENTER ONE-DENVER, COLORADO
PHONE (303) 629-1926

November 23, 1981

John Lockridge et al
1444 Wazee, Suite 218
Denver, CO 80202

Bonny Gathering
1444 Wazee, Suite 216
Denver, CO 80202

Re: Bonny Reservoir Area, Yuma County, Colorado

Gentlemen:

John Lockridge et al (Lockridge) now owns and may subsequently acquire interests in certain wells and acreage in the Bonny Reservoir Area of Yuma County (Area of Interest) outlined on the map attached hereto as Attachment "A." Lockridge has six (6) existing wells and intends to drill 25 additional wells in the Area of Interest by January 1, 1982.

Bonny Gathering (Bonny) and Cities Service Gas Company (Cities) are finalizing the terms of a Gathering and Dehydration Agreement similar in form to that agreement between Yuma Gathering System and Cities Service Gas Company. Under the proposed agreement, Bonny will gather and dehydrate gas volumes from the Area of Interest and deliver same to Cities at an approximate location of Section 16, Township 1 South, Range 42 West, Yuma County, Colorado.

Cities will reimburse Bonny for such gathering and dehydration services at a gathering charge per Mmbtu based on a fifteen percent (15%) rate of return on Bonny's investment. The initial rate will be $1.19 per Mmbtu with redeterminations each six months thereafter. Bonny expects to make first delivery to Cities no later than April, 1982.

The parties agree to enter into a twenty year term Gas Purchase Contract (Contract) covering the existing gas wells within the Area of Interest on a timely basis prior to commencement of pipeline operations. The parties additionally agree to amend said Contract to add additional gas wells as developed by Lockridge within the Area of Interest. The Contract will be consistent with our standard form previously furnished to the parties; briefly, providing for takes at 95% of deliverability, tight formation price, and compression to be paid by the producer.

This Letter Agreement shall remain in effect during the term of the Contract and shall be binding upon and inured to the benefit of the successors and assigns of the parties hereto.

Very truly yours,

CITIES SERVICE GAS
COMPANY

By "s/ _____ "
Robert E. Berney,
Vice-President

Accepted and agreed to as of the date hereof.

BONNY COMPANY
GATHERING

_____ By "s/ _____ "
Witness J. C. de Graffenried

JOHN P. LOCKRIDGE

_____ By "s/ _____ "
Witness John P. Lockridge

PRIMA ENERGY CORPORATION

_____ By "s/ _____ "
Witness Richard H. Lewis, President

CARLYLE PETROLEUM, INC.

_____ By "s/ _____ "
Witness John O. McCutcheon, Chairman

ALPAR RESOURCES
INC.

_____ By "s/ _____ " Witness
Jack M. Allen, President